

EX-IM BANK FINANCIAL INSTITUTION BUYER CREDIT EXPORT INSURANCE

SUMMARY

Financial institutions can reduce their risks on a short term direct buyer credit loan or reimbursement loan made to a foreign buyer for the financing of U.S. exports through an Ex-Im Bank Financial Institution Buyer Credit Insurance Policy (known as a FIBC or Bank Buyer Credit Policy).

A direct buyer credit loan is a loan extended to a foreign entity by a financial institution for the importation of U.S. manufactured or produced goods. A reimbursement loan is the financial institution's reimbursement of a buyer's payments to U.S. suppliers. In both cases, repayment of the loan is based upon a buyer obligation to the financial institution. This policy affords coverage against commercial defaults and political events which result in nonpayment under a buyer obligation.

The transaction may be a buyer credit, i.e., the relationship is between the bank and the foreign buyer, or a supplier credit, i.e., the relationship is between the bank and the domestic supplier/exporter.

WHAT IS COVERED

The policy provides coverage against specified political risks such as war, revolution, expropriation or confiscation by a government authority, cancellation of import or export licenses after shipment and foreign exchange inconvertibility, and commercial losses due to protracted default, insolvency of the buyer or failure to reimburse for other reasons. Devaluation is not covered as a political risk.

The policy is issued in one of two policy formats: a “documentary” policy for buyer credits, and supplier credits when the supplier is a small business (see Ex-Im Bank’s Short-Term Credit Standards, EIB99-09 - Exporter Credit Criteria for an Enhanced Assignment), and a “non-documentary” policy for supplier credits when the supplier is not a small business. The documentary format requires the financial institution to obtain specific documents such as a signed buyer obligation, transport document, invoice, and an Exporter Certificate, EIB94-07, certifying, among other things, that buyer obligation has been established, and that the goods are manufactured or produced in and shipped from the U.S. If the beneficiary of the funding is an entity other than the supplier/exporter, a Beneficiary Certificate, EIB92-37, is required. Having obtained documents which on their face satisfy the policy requirements, the insured financial institution can be assured that defects in the underlying commercial transaction will not cause claim denial.

Under the documentary format, the principal risk assumed is the uninsured retention, if any. Under the non-documentary format, the financial institution remains at risk for not only the uninsured retention but also certain events, such as fraud in the transaction, non-shipment of products, dispute in the transaction or the discovery of non-U.S. goods.

Both policy formats offer equalized coverage for commercial and political risks (comprehensive cover). Political-only coverage is available under the documentary format. Maximum percentages of cover are indicated:

Sovereign Obligors or Guarantors or political only coverage	100%
Non-Sovereign Obligors or Guarantors including non-sovereign public sector and private sector financial (non-letter of credit) and non-financial institutions,	90%
Approved Agricultural Commodities	98%

Coverage applies to credit terms extended, under a direct loan or reimbursement agreement, to a foreign buyer named in the policy declarations for any goods produced in and shipped from the United States during the policy period. The maximum period between the date of shipment and the date of the buyer obligation will generally be 45 days. Cover is typically provided for credit terms up to 180 days for consumer items, spare parts and raw materials. On a case-by-case basis, agricultural commodities, capital equipment, and quasi-capital equipment may be insured on terms up to 360 days. Products which are less than 50% U.S. content exclusive of mark-up and certain defense products are not eligible for cover. Principal amounts are covered up to the maximum insured percentages stated above or as specified in the policy declarations.

Documented interest is covered at the applicable rate for the approved currency specified in the policy up to a maximum of 180 days after the due date.

WHAT PERIOD IS COVERED

The policy may be written for a period of up to 12 months. The coverage effective date is the first date after which a buyer obligation can be executed under this policy.

WHAT THE INSURED AGREES TO DO

The insured agrees:

- to pay the advance premium in full before the policy is issued;
- to report and pay premium on insured fundings, form EIB92-30, on or before the last business day of the month following the month in which the funding occurred;
- not to enter into any transaction with a buyer who is insolvent or has any debts payable to the insured which are 90 days or more past due;
- to report to Ex-Im Bank, in writing form EIB92-27, if the buyer has not paid any amount for 90 days after it was due;
- to do everything reasonable to collect from the buyer any amounts owing;
- to obtain Ex-Im Bank's prior written approval before rescheduling any insured transaction;
- to cooperate with Ex-Im Bank to effect recoveries.

CLAIMS AND PAYMENTS

Claims may be filed 90 days after the due date and must be filed within 240 days. The insured must make a written demand for payment on the buyer and any guarantor at least 30 days before filing a claim. Upon payment of a claim, the insured agrees to sign a release, transfer the covered debt obligations to Ex-Im Bank and notify the buyer to make future payments to Ex-Im Bank.

Ex-Im Bank pays properly submitted and documented claims, forms EIB92-42 & 43, which are in compliance with the policy within 60 days of receipt.

POLICY APPLICATION PROCEDURE

The application form, EIB92-41, is completed by the financial institution outlining the specifics of the transaction. Since this policy covers transactions on a single-buyer basis, a separate policy is issued for each foreign buyer. Information about the financial institution and the buyer, including a credit agency report and financial statement on each entity, must be submitted to support the request. Refer to Ex-Im Bank's Short Term Credit Standards, EIB99-09, and the application, for specific requirements and to determine the likelihood of approval.

Upon its review and approval of the application, Ex-Im Bank issues a commitment notice stating the parameters of coverage. These parameters include Ex-Im Bank's limit of liability per buyer obligation, the insured percentage, claim payment limit, premium rate, policy period and any special conditions required.

The commitment notice is effective for a maximum of 90 days and assures the financial institution that all policy conditions will remain unchanged for the commitment period. Commitment periods in excess of 90 days are generally not available. The policy is issued upon receipt of the minimum premium (the policy coverage effective date), which must be received in full within the commitment period. Premium is then paid, at the rate specified in the policy, on fundings by the insured financial institution. A premium reconciliation is made at the end of the policy period and an appropriate premium refund is made.

RISK-BASED PREMIUM RATES

A risk-based pricing system is used. A disciplined formula provides a premium rate that reflects the major risk elements of each transaction. A non-binding rate indication may be obtained by referring to the Short Term Fee Table on the Ex-Im Bank Internet Homepage or by contacting the Business Development Division with specifics of the contemplated transaction. Changing conditions may result in a different rate being finally offered than is initially indicated.

Premium is paid on the total principal volume amount to be insured. The premium rate is paid per \$100 of invoice value.

MINIMUM PREMIUMS

The following minimum premiums apply:

Sovereign and Political-only coverage	\$ 750
Non-sovereign public buyers or	
Financial Institution buyers or guarantors	\$ 1,500
Creditworthy private buyers	\$ 2,500

EX-IM BANK FINANCIAL INSTITUTION BUYER CREDIT EXPORT INSURANCE COMPARISON OF POLICIES

POLICY FORMAT	DOCUMENTARY POLICY	NON-DOCUMENTARY POLICY
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ELIGIBLE TRANSACTIONS	All “Buyer” Credits and “Supplier” Credits when the exporter is a small business.	“Supplier” Credits when the exporter is not a small business.
ELIGIBLE BUYERS		
Public sector (government) obligors		
Private sector obligors		
Financial institutions as obligors or guarantors		
EXPORTER/BENEFICIARY CERTIFICATE	Required. Exporter/beneficiary provides representations regarding U.S. content and shipping requirements	Not required. Financial institution is responsible for U.S. product and export requirements
If properly authorized representations exist within Exporter/Beneficiary Certificate(s), and other documents are in compliance with policy requirements, claims may be paid regardless of:		
• fraud in underlying transaction	Yes	No
• dispute in underlying transaction	Yes	No
• non-shipment of goods	Yes	No
• non-U.S. goods shipped	Yes	No
PERCENTAGE OF COVERAGE		
Sovereign Public Sector Obligors	100%	Not applicable
Public non-sovereign obligors or private sector, financial (non-letter of credit) or non-financial obligors or guarantors.	90%	90%
Approved Agricultural Commodities	98%	98%
Letter-of-Credit Transactions	Excluded; use Bank Letter of Credit Policy	Excluded; use Bank Letter of Credit Policy
DEDUCTIBLE	None	None
DISCRETIONARY CREDIT LIMIT	None	None
UNINSURED RETENTION	The insured must remain at risk uninsured and unsecured. Ex-Im Bank will consider, on a case-by-case basis, the pro-rata- pass through of retained risk to the participants in connection with participated loans.	The insured must remain at risk uninsured and unsecured.
IRREVOCABLE COVERAGE	Coverage conditions locked-in at policy issuance	Coverage conditions locked-in at policy issuance
COMMITMENT PERIOD	Maximum of 90 days (no fee)	Maximum of 90 days (no fee)
POLICY PERIOD	Maximum of one year, subject to Ex-Im Bank approval	Maximum of one year, subject to Ex-Im Bank approval

The policy is issued upon receipt of an advance premium payment sufficient to cover minimum premium requirements. Once the financial institution begins fundings under the policy, premium reports are submitted and additional premium is paid to Ex-Im Bank at the rate(s) specified in the policy. At the end of the policy period, and after taking into consideration the total amount of funding premium under the policy, Ex-Im Bank will refund the advance premium, except for any amount needed to satisfy the minimum premium requirements.

POLICY FORMAT	DOCUMENTARY POLICY	NON-DOCUMENTARY POLICY
PREMIUM RATE	Market-based single-buyer rates	Market-based single-buyer rates

MINIMUM PREMIUMS

Sovereign obligors and political risk only	\$750	same
Non-sovereign public obligors, or private bank obligors or guarantors	\$1,500	same
Private non-bank obligors	\$2,500	same

FUNDING REPORTING	Due with premium by 30th month following month when funding occurred	Due with premium by 30th of month following month when funding occurred
INTEREST RATE COVER CAP	For U.S. dollars, Wall Street Journal prime rate less 0.5% per annum (fixed or float): see policy documents for other currencies	For U.S. dollars, Wall Street Journal prime rate less 0.5% per annum (fixed or float): see policy Documents for other currencies
POST-MATURITY INTEREST	Covered up to 180 days after default	Covered up to 180 days after default
CLAIM FILING WINDOW	90 to 240 days from due date	90 to 240 days from due date
CLAIM PAYMENT	Within 60 days of claim receipt if in compliance with all policy terms and conditions	Within 60 days of claim receipt if in compliance with all policy terms and conditions
INFORMATION REQUIREMENTS FOR BUYER CREDIT APPROVAL	Refer to Ex-Im Bank's published <u>Short-Term Credit Standards</u> (EIB99-09) - Buyers. Depending on the amount of the credit limit, a credit rating may be sufficient; otherwise a credit report, a bank reference, one or two trade references and two or three years' financial statements are required.	
INFORMATION REQUIREMENTS FOR SUPPLIER APPROVAL	Small business suppliers meeting certain requirements may make the applicant eligible for "documentary" cover under a supplier credit. See Ex-Im Bank's <u>Short-Term Credit Standards</u> (EIB99-09) - Exporter Credit Standards for an Enhanced Assignment.	

MORE INFORMATION**Headquarters**

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